

FINAL TRANSCRIPT

Thomson StreetEventsSM

SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Event Date/Time: Aug. 09. 2006 / 9:30AM ET

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

CORPORATE PARTICIPANTS

Gunnar Reitan

SAS A.B. - Acting CEO

Gunilla Berg

SAS A.B. - CFO

CONFERENCE CALL PARTICIPANTS

Chris Avery

JP Morgan - Analyst

Lars Heindorff

ABG Sundal Collier - Analyst

Andrew Lobbenberg

ABN Amro - Analyst

Jacob Pedersen

Sydbank - Analyst

Virginia Marr

- Analyst

Ari Laakso

Guangdong Capital - Analyst

PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the second quarter 2006 SAS Group earnings conference call. My name is Jackie and I will be your audio coordinator for today's conference. At this time all participants are in a listen-only mode. We will be facilitating a question and answer session toward the end of today's conference, at which [OPERATOR INSTRUCTIONS].

I would now like to turn the presentation over to your host of today's conference, Mr. Gunnar Reitan, acting CEO of SAS Group. You may go ahead sir.

Gunnar Reitan - SAS A.B. - Acting CEO

Thank you. Good afternoon everybody. My name is Gunnar Reitan and I have probably met some of you before a few years ago. I am acting CEO of the SAS Group as from August 1 and together with me today is our CFO, Gunilla Berg, our Vice President Investor Relations, Sture Stolen and Bjorn Tibell, Director Investor Relations.

As usual, we will perform a rather brief introduction and I understand that the slides we are using have been put on our web and I hope everybody has had the chance to pick up on that. I will comment -- or Gunilla and I will comment on the different slides as we proceed.

First of all, slide number two, we are pleased to announce today a second quarter of the SAS Group which shows significant improvement. We had a weak start of the year in the first quarter and also April was affected negatively of certain conflicts which took place also in April. However, the pick up, both on the top line, as well as the commercial performance with the high load factors and also a positive yield development has materialized in May and June.

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

SEK894m was the result of the second quarter, which is an improvement of SEK315m versus last year. We have a restructuring cost and also a one-off cost item which Gunilla will elaborate on in a minute.

Fuel costs have been high. SEK600m above last year in the second quarter. But we have implemented measures on pricing and as well in the steering concept with the aim of compensating. Our philosophy in this respect is very straightforward. The increase in fuel price will immediately be reacted in the commercial trading.

The cabin factor has increased significantly and this is really one of the key drivers, together with the steering concept which also now provides a yield improvement. And with respect to the cost, we are right in the middle of the SEK2.5b program which has been addressed before and, at this point, we have implemented approximately half of the program. This program was designed to be implemented during 2006 and 2007 and the majority of it will be completed during this year.

We move to the next slide which really just summarizes the quarter result of SEK894m and the half year, which is still negative of SEK425m, again, excluding the re-structuring and non-recurring items. I would like to emphasize that the level of improvement we see in the second quarter, even with a weak April, is in the range which we have talked about before and this is SEK315m, and the underlying improvement rate is even higher due to the implication of the April result.

Next slide. The most satisfactory side of this second quarter result is really that the Scandinavian Airline businesses, our core airline business of the SAS Group, is showing a significant improvement. And the improvement versus last year is entirely coming from the Scandinavian Airline businesses.

We are doing an improvement in all areas, except for Airline Support businesses, and Gunilla will elaborate a bit more on that. We are dealing with our Support businesses in a demanding way, implementing what we consider is the best available rates in the marketplace, and they are lagging a little bit behind due to that reason.

When we're looking at the 12 month rolling trend line, we can see that we have been on a constant improvement rate as from mid 2003. And we have now broken through the zero line and the flattening out, which can be seen in the right hand of the slide, is the consequence of the labor conflict issues we had during the four first months of this year. We are on a track now which is in the right direction and there is no significant signs in the marketplaces that we should see any weakening in our trading conditions. We'll come back to this a little bit more.

Next slide. The number of passengers and the passenger load factor shows a satisfactory development. We are approaching now the 70s in load factor and, when we reported the July figures a couple of days ago, the load factor was, in July, 80%. The passenger growth has also been significant and that is in all the areas of our different businesses but, of course, the biggest growth has been in the new markets like Finland, like the Baltics and, not least, with Spanair in the Spanish market. Also, our key market has been developing quite well, especially, during the last two months in May and June and that also continued in July.

And that is -- I leave the floor to Gunilla.

Gunilla Berg - SAS A.B. - CFO

Good afternoon, Gunilla speaking. Looking at the first half slide. As Gunnar said, these are the results for quarter two for nearly SEK900m and we are satisfied with that result. And we have put two reservations, two big reservations in accounting for quarter two and I just want to go through them a little.

The first one is due to the close down of the technical base we did in Stavanger in Norway. And of this 150, about 100 is down to the personnel costs, which is due to the termination of the employees but they are idle under [inaudible].

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

And 60 of this 150 is due to the rent costs we have for the [Hangor]. This positive result effect of this close down of this Stavanger base is approximately SEK210m yearly.

The next one is that we lost the case in Norway about SAS sub-ground services. And we are now estimating the costs involved to reconcile or restrict the employees' rights in that case and that will cost us about SEK105m.

Then the first quarter we had some re-structuring costs and they were -- the majority parts were for SAS [inaudible] and some parts were for -- in technical services where we decreased the personnel in line maintenance.

If we have to -- when we consider the result development for the SAS Group for the first half of the year, we have to consider the costs for the negative results effect we have had for the conflict, as Gunnar mentioned. In April we had a conflict in cabin attendants in Norway and we estimated that that cost us about SEK100m and, in general, we had these pilot conflicts in both Denmark and Norway and, as we said in quarter one, we estimated that had a negative result effect of about 250.

If we look at next slide, as Gunnar mentioned, we have completed half of the program of SEK2.5b and this program consists of three parts - productivity, ground and technical services, increased productivity in that area and administration sales and other flight related costs. We are more or less on target with our plan in this program. We are a little behind on the productivity side but we are little better on the administration and sales part.

We won't reach the block hours target this year. The pilots' collective agreement we did in April and May will give us a productivity possibility to this 650 and we are now at about a figure of 600. And, as you know, we have a target of 700. So next year we will complete the collective agreement with them and there will be also some local adjustments in the different companies.

And for the Norwegian cabin attendants we will be able, with that collective agreement, which we also did this spring we will be able to reach about 700 block hours and, as you know, we have a target of 750. So, on the productivity side, we will have to complete this target in 2007, otherwise, the majority part of the program will be completed this year.

Next slide we have, as Gunnar said, very good improvement in the results in our Scandinavian Airline businesses companies, especially, in Denmark and Sweden. There we have a very high increase of the cabin sector. We have stabilized [the deals]. They are doing their part of this cost cutting program and they are also focusing on what we call the round trip management and that is very important for the profitability of the Company.

Denmark is affected about this pilot conflict in general about 100, so if consider that, they will be close within [the increase] of the results compared to Sweden.

In Braathens, of course, the result -- well a good result last year in SAS Braathens and they are very affected about the conflicts, both with the cabin and the pilots and we have estimated that to be 240. And, of course, this has affected the image of the Company and, especially, from the business travelers. But what we can see from the figures in June and in July, we think that the rather fast has come back to normal figures and we are very pleased with that.

For Scandinavian Airlines International we have an improvement. An important part of this is that we are having a close down, the Singapore Bank of Singapore, which were very heavy loss making trips. They are also improving the yield, and they have a good cabin factor with this -- at the same level, more or less, as last year. But they are also part of this cost cutting program. I think it's important to be able to increase the profitability of the inter-continental area.

Next slide, the result for the first half year of our support unit. In SAS we have got a bad result and there are big deviations from last year, a negative deviation compared to last year. And the majority part of that is explained by that we had very much lower volumes this first half year. Last year, as some of you may remember, that we had a very good capacity utilization but this year we had rather low volumes. That, of course, made us to do the decision about the technical base in Stavanger in Norway to reduce the capacity. We expect the volumes to be low this autumn as well, as we have said in our report.

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Another explanation for the rather big deviation compared to last year is that we had, last year, a positive result in SAS Component and there is still a very bad result in SAS Component. As you know, from the beginning of the year or the end of last year, we now only own 33%. There have been price increases to the airlines, as Gunnar said.

We are very -- it's very important for us that they are having the market price levels and we are doing benchmarking, other investigations to see what is the real market level. But, so far, they are more or less cutting the costs in the same speed as we have decreased the market size. There will be some lowering of the market price during the autumn because we can see that we still have some gap in line and in the airplane part of the technical services.

In Ground Services, the airlines have ordering a much simpler product and the -- all the price reductions to adapt to the market price level. They are cutting costs to deal with this. But here there is a timing effect. We think that in this year and next year they will come up to a profitable level.

If we look SAS Cargo, there is only a currency effect of about 20, so if you exclude the currency effect, you have a good result improvement in SAS Cargo, mainly due to the good improvement on the revenue side. And we still have a very good development in our SAS Flight Academy business.

Next slide is Gunnar.

Gunnar Reitan - SAS A.B. - Acting CEO

Just a few words on our subsidiaries airlines outside of Scandinavian Airlines. We do see a significant pick up in the results of the second quarter of Spanair. And this company is on a strong growth pattern, competing very well with Iberia and other competitors in the Spanish market and we do see a consistent positive development, which is appearing also in July and forward.

Our regional operator in Norway is showing a weaker result. Nothing dramatic in this but we are implementing a cost and business improvement program in order to get back to the levels we used to have, showing cash return levels of about -- above 20%.

Our Finnish subsidiary, Blue 1, is showing bad results in the quarter and also in the first half as such. We don't do any full year forecasts but, in order to not be misled by the figures, this is directly caused by an expansion in the European -- longer European destinations with the NDNA90 equipment. Certain delays in deliveries have led to a [wet] leasing in between solution and this has been rather costly.

So I would just summarize by saying that this Company will be in the black for this year and we do see a good development ahead of us in Blue 1. Don't be misled by this first half bad result.

AirBaltic - strong growth also this year. They have definitely turned into a profitable basis and the result, so far, is encouraging and we do see this company developing with further growth and further strengthening of the profitability. We are well positioned in the Baltic market, as well as in a growing position also in Finland, and the same goes for Spain. So in these markets, outside of Scandinavian Airlines, we are quite well positioned and we should have the possibility of developing these businesses quite well forward.

Next slide. I will touch upon on the -- our Hotel business, Rezidor SAS. We announced in June that we will -- we have initiated an IPO process and we said that that was expected to be fulfilled within one year and that is still valid. We are right in the middle of the process, working on the prospectus, doing everything which is necessary to fulfill the requirements from the Stockholm Stock Exchange, and we are targeting a listing of Rezidor within the said 12 months.

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

The hotel market, as such, and the hotel industry in general terms are developing strongly and our Company is developing at least at the rate of the industry and I think we can say that we are even a bit ahead of the game.

The RevPAR so far in 2006 shows 13.5% for comparable units and also the -- and the occupancy is also improving. The growth rate has been 40 to 50 hotels over the last few years and that will also be the case this year and the long term targets for the Company, which is also part of the prospectus, is 700 hotels by 2050 [sic - see presentation].

Carlson Companies is the brand owner and, although 55 -- sorry, a 25% shareholder in Rezidor SAS. Rezidor has a long, very long term contract with Carlson defining exclusive brand rights for 60 years and it creates a solid basis for a life for this Company on the stock exchange. Carlson will remain a significant shareholder, at least on today's level, most probably a little bit higher.

Then finally, just to emphasize that we are working on all aspects of our business and, in the case of -- specifically, in the case of Scandinavian Airlines, we are offering, in the fourth quarter, a set of new developments in terms of products, in terms of distribution, in terms of web interface to the markets and, not least, a strong dedication to the corporate market. And I cannot go into more details in this respect now, but this will be an important top up of the activities we have done recently and we expect that the customer satisfaction score will be positively affected by this. We will also come back more in detail later on.

So finally, a sum up. Good improvement in the second quarter after a slow start. Markets are good. Market growth is fairly strong and our ability to attract customers has improved in all our key markets. The cabin factor improvement have been a very strong strategy and all our companies are aiming for seeing high cabin factors going forward. This is the key in order to also support the positive yield improvement. This is the first time for many, many months that we now can see a positive yield development.

So overall, we have a positive view on the continuation of this year. Of course, there is uncertainties about the future in terms of growth rate and trading conditions, not least to talk about the fuel prices, but we are prepared for that. Our organization is drilled on how to compensate for the fuel cost increase and we have a fairly positive view on the continuation of this year.

That completes the presentation and we will now take any questions you might have and try as best we can to give you straightforward answers.

QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS]. And our first question will come from the line of Chris Avery from JP Morgan. You may proceed.

Chris Avery - JP Morgan - Analyst

Two quick questions. Firstly, can you help us with the yield progression - April, May and June? You've talked of most of the improvement being in May and June. Can you, perhaps, illustrate that for us in the yield progression?

And secondly, catering costs up again in Q2. Can you remind us what's going on in there to have such a large increase in costs - 11% - in Q2?

Gunnar Reitan - SAS A.B. - Acting CEO

Just give us a second please.

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Gunilla Berg - SAS A.B. - CFO

I can take the second question. The increases we're having in catering costs is -- you have two explanations. First, of course, that they've patterned their growth but the second one is that we are more emphasizing buying on-board and that's the [inaudible] we mentioned on that.

On this yield development, I don't know if Gunnar would like to have --

Gunnar Reitan - SAS A.B. - Acting CEO

Yes, the yield development is consisting of a negative April, but with a 7% positive May development and a 4% positive June. The negative April was also 7% but -- and that is due to Easter in April this year versus March last year.

Chris Avery - JP Morgan - Analyst

And that -- the yield as you came out of the quarter, somewhere in the order of 4% positive, is that a sensible thing to think of for the third quarter?

Gunnar Reitan - SAS A.B. - Acting CEO

Well, let me try to answer that by saying that what we have done recently is to climb significantly on the cabin factor and that is crucial in order to be able to push yields up when the demand is strong enough. If we have growth between load factor, let's say, 60% to 70%, there is more limited potential of supporting the yield. This, what I say now, is pointing in the direction of a stronger ability to push yields going forward compared to last year, simply because we have lifted our cabin factors up to the levels when these mechanisms really work.

Chris Avery - JP Morgan - Analyst

Very good, thank you.

Operator

And your next question will come from the line of Lars Heindorff. You may proceed.

Lars Heindorff - ABG Sundal Collier - Analyst

Yes, hello, a few questions also please. Firstly, regarding the cost cutting program, could you just elaborate a little bit on that, what the actual cost cutting impact this year will be? I know you stated that you have implemented roughly half of that. What will be the actual cost impact this year?

And secondly, you -- I know you don't give any guidance, you mentioned that yourself. But looking at the Airline Support business and the outlook that Gunilla gave, which you are talking about lower prices going into the second half, is there really any chance that this part of this business could come out in the black figures for the full year?

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Gunilla Berg - SAS A.B. - CFO

Starting with the first question, the results effect from this cost cutting program will be a little more than SEK1b. On the second question we don't think that Technical Services will be in black figures this year, because we will have low volumes and there will be some price reductions. But they are mainly through the Scandinavian Airlines companies to really ensure that they are in the market best levels. So for the Group as a whole it doesn't really matter but of the view that Technical Services won't come to black figures this year.

Gunnar Reitan - SAS A.B. - Acting CEO

But what we can add to that is that the fact that it is like, as Gunilla says, also means that we will initiate necessary measures in order to speed up the process of getting to profitability in the Technical Services. And that will be in addition to the SEK2.5b.

Lars Heindorff - ABG Sundal Collier - Analyst

Okay and what's -- could you quantify that?

Gunnar Reitan - SAS A.B. - Acting CEO

No, we cannot do that.

Lars Heindorff - ABG Sundal Collier - Analyst

Okay, thank you.

Operator

Thank you gentlemen. And your next question will come from the line of Andrew Lobbenberg. You may proceed.

Andrew Lobbenberg - ABN Amro - Analyst

Hello, hello, it's Andrew from ABN. I just wanted to ask about your comment on the IPO for the hotels. You say it's slated within the 12 months. Given that the work is ongoing with the IPO prospectus, I understand it depends on the market, but what's the earliest date you could be ready to go? Otherwise, what are the conditions you'll be looking for to determine the timing?

Gunnar Reitan - SAS A.B. - Acting CEO

I understand perfectly your question but, as you know -- as you, of course know, we have stated that this to happen within a following month period and we cannot make more accurate statement on that for the time being. We are working on that at high speed and everything is in -- everything which has been defined as measures are in the process of being resolved.

Andrew Lobbenberg - ABN Amro - Analyst

Okay.

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Operator

And your next question will come from the line of Jacob Pedersen of Sydbank. You may proceed.

Jacob Pedersen - Sydbank - Analyst

Yes hello. I have a question on the load factor. Going into the third and the fourth quarter, you get some more difficult comparisons on the load factor. Have we seen the full positive impact from the strategy one way on the load factor, or will this improvement continue into the fourth quarter and beyond September 2006? Will you give me some thoughts on that?

Gunnar Reitan - SAS A.B. - Acting CEO

I think that the load factors we are looking after now in the second quarter and in July is somewhat higher than those we actually had last autumn. We don't have those figures right in front of us I'm afraid. But we have trimmed our capacity and we have made a lot of measures in order to get to these kinds of levels and it's very likely that we will top up compared to the third quarter last year. That goes for all businesses like the Scandinavian Airlines for instance. All the companies there apart from the long haul, because the load factor in that segment has been high also last year. But the company like Spanair, for instance, is significantly coming up this year compared to what the situation was last year and that goes for also other companies, including Scandinavian Airline businesses.

Jacob Pedersen - Sydbank - Analyst

And also, when we look beyond September, you launched one way in September 2005, so the comparisons will get more difficult towards the end of the year. Are you seeing a similar positive pattern there?

Gunnar Reitan - SAS A.B. - Acting CEO

That is true. We will meet a tougher comparison but the levels we are heading for now is likely a bit above the ones we had last year, even in the second half.

Jacob Pedersen - Sydbank - Analyst

Okay, thank you very much.

Operator

Thank you gentlemen and your next question will come from the line of Lars Heindorff. You may proceed.

Lars Heindorff - ABG Sundal Collier - Analyst

Hello, it's Lars Heindorff again. Just a couple further. Regarding the unit cost development, I understand that you continue to do some work on the cost side and you have this new program that you have half way implemented. But, despite these things, we're seeing that at least for SAS Airlines the unit cost, even adjusting for the escalating fuel bill, has gone up by 2.2% for the first half. Could you give us an explanation why unit costs have continued to rise throughout the first half, despite the cost cutting program?

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

And secondly, you mentioned about the targets in productivity - 750 and 700 for the cabin crew and the pilots. What would that do to your unit cost if you achieve those targets?

Gunilla Berg - SAS A.B. - CFO

The first question, you have three explanations. The first one is that we have reduced capacity, rather substantially, especially in Denmark and in Sweden, and in Denmark we are not fully cutting the costs according to the decrease in capacity, but we very much focusing that. As you know, in our cost cutting program, we don't have any capacity adjustment costs in that program. There is the small structural costs which will affect the unit cost.

The second explanation is that we are very much focusing now on round trip management, lowering the capacity during the weekends, during the lower demand months and things like that. And that, of course, will affect the unit cost some part negative, but it will be very much profitable to do so.

The third explanation is that we have higher -- a higher amount of passengers. And since we are accounting these unit costs on the ASK, and since we now have too many passengers that negatively affected the unit cost but, of course, it's good for the profitability. So these are the three explanations of this unit cost development.

As you said, we had a target of 750 and 700 and, as you see from our cost cutting program, 600 -- about 600 accounts to that cost. And we think that about 300 to 400 will be completed next year, because we think that only 200 will be completed this year. And how much that affects the unit cost of ASK I can't really calculate that in this short moment but we can, of course, give you that later.

Lars Heindorff - ABG Sundal Collier - Analyst

Thank you.

Operator

And your next question will come from the line of [Virginia Marr]. You may proceed.

Virginia Marr - Analyst

Yes, good afternoon. I would have two questions with respect to your future capital structure. One is whether you have disclosed any intentions about how you will use the hotel IPO proceeds.

And the second one is whether you already have an idea of how you will finance your CapEx when it's about to increase again from about 2010 or so? Thank you.

Gunilla Berg - SAS A.B. - CFO

The first one, the first question, what happens when we sell the hotel business? Of course that will improve our financial position substantially. And we have said that we will be -- we will have very low investments the coming years, so this selling out of the hotel business will improve our financial position.

And the next one about the CapEx, I don't really think I got your question there. Could you repeat it?

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Virginia Marr - - Analyst

Yes. If my recollection is correct, I think you will increase your aircraft CapEx quite substantially from about 2010 roughly and I was wondering whether you had an idea of how you wanted to finance this, maybe with operating leases mostly or on balance sheet debt or whatever?

Gunilla Berg - SAS A.B. - CFO

We have said before that the [inaudible] fleet will be, of course, transformed or, what you say, changed. But as we see at the moment the [inaudible] fleet is very good. We have low costs for this fleet and we see that in about 2012 or 2013 that this will maybe -- that we'll change that fleet to another new version of Airbus or a new version of Boeing.

Whether we -- how we finance that we will come back to you. But so far we have financed our fleet about 70%, is on operational leases and about 25% we own ourselves.

Virginia Marr - - Analyst

Thank you. Can I just come back on your first answer about the IPO proceeds and how they will be used? You don't have any plans at the moment to make a return to shareholders of those proceeds?

Gunilla Berg - SAS A.B. - CFO

No, we don't think so and that has to improve our financial situation and pay debts and things like that so --

Virginia Marr - - Analyst

Okay, thank you very much.

Operator

[OPERATOR INSTRUCTIONS]. And you have a question from [Ari Laakso] from [Guangdong Capital]. You may proceed.

Ari Laakso - Guangdong Capital - Analyst

Hello there. I just wanted to follow up from the previous caller's question about the process from the IPO of the hotel business. Obviously, your financial position will improve in paper if the cash that you receive stays on the balance sheet, but are you actually going to pay down debt with it? And you going to, for example, buy back some of the large maturities that are coming up, for example, the 2008 bond? Thank you.

Gunilla Berg - SAS A.B. - CFO

I think that will probably be the case because we have, as you say, this 2008 that will mature about 5b on the bond, so probably that will be the case.

Aug. 09. 2006 / 9:30AM, SAS.ST - Q2 2006 SAS AB Earnings Conference Call

Ari Laakso - *Guangdong Capital - Analyst*

So, just to be a little bit clearer, you would look to buy back some of those bonds before 2008 or just keep the cash on the balance sheet waiting for the maturity in 2008? I'm just trying to get a sense of the timing here as well because, obviously, the process will be coming in, hopefully, pretty soon.

Gunilla Berg - *SAS A.B. - CFO*

That depends, so we can't give you a clear answer now at the moment but that depends on how [inaudible] situation and the pricing and things like that.

Ari Laakso - *Guangdong Capital - Analyst*

Okay, thanks.

Operator

And now at this time you have no further questions. I'll turn it back over to you for closing comments.

Gunnar Reitan - *SAS A.B. - Acting CEO*

Alright ladies and gentlemen, thank you for attending this telephone conference. We will have an analysts' meeting tomorrow in London at the Portman Hotel at 12 GMT and you are, of course, welcome to attend that. Apart from that, thank you so much and I hope we have been able to throw some light on the recent developments and we hope to see you soon. Thank you.

Gunilla Berg - *SAS A.B. - CFO*

Thank you.

Operator

Thank you ladies and gentlemen for your participation in today's conference. This does conclude today's presentation. You may now disconnect and you have a wonderful day.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2006, Thomson Financial. All Rights Reserved.